tend it to other communities as well. But I would like to know as the Hon'ble Member for Adoor, said the amount of the commitment, and the extent of administrative machinery that is required. All these will have to be appraised before actually introducing compulsion. I have absolutely no quarrel with this resolution. I only say that a consideration of this may be postponed till the report of the survey is available to the House.

Mr. K. Mohamed Seethi.—Sir, I am quite agreeable to the wishes of the Hon'ble Member for Education that the consideration of this resolution must await the result of his investigation in this direction and we may have it on another occasion. I don't think it profitable to add to the discussion on the various points raised by the Hon'ble Member for Education just at present. So, I withdraw this resolution.

The resolution was, with leave, withdrawn.

8. Land Mortgage Bank.

Mr. Joseph Pettah.—Sir, I rise to move that "This Council recommends to the Government that early steps be taken for the establishment of a Land Mortgage Bank in Cochin."

Deputy President.—At the same time I may suggest there are some other resolutions standing in the names of other Members also about this Land Mortgage Bank. They may also take part in this resolution.

Mr. E. Ikkanda Warriar.—There is one standing in my name.

Mr. Joseph Pettah.—Sir, in moving this resolution, I have the great satisfaction that I come after a very vigorous speech made by the Leader of the House on behalf of the Government, assuring us that there is enough money in the Government's coffers, and that want of funds would not be advanced against any useful project that is suggested or proposed in this House. As regards the necessity of Land Mortgage Banks, I don't think there is any necessity for a long speech. In all the civilised countries of the world, or at least in almost all of them, Land Mortgage Banks have been already established, and therefore, it would not be necessary——once again I say—for me to make a long speech to establish the necessity of starting a similar bank in the Cochin State also. The purpose of a Land Mortgage Bank, as the Hon'ble Members know, is to relieve the agriculturists, who, it may be noted, could not be relieved by the modern banks. Agriculturists require loans generally for two purposes. Either they may be short loans for purposes of current cultivation, or they may be long term loans for purpose of effecting improvements in the lands, which would begin to pay only after a long period of years. In the matter of the first requirement, ordinary banks might go to their help

LIBRARY ARCHIVES Kerala Legislative Assembly

to some extent, and again there may be Co-operative Credit Societies which might be expected to meet this requirement. But in the case of the long term loans, there is great difficulty in getting accommodation from the ordinary banks now in vogue; and this again for two reasons. In the first place, the agriculturists cannot afford to pay a very high rate of interest for the simple reason that agriculture is a profession which pays only very low returns. Secondly, the agriculturists would not be in a position to repay the loan within a short time because, as I have already pointed out, investments on permanent improvements would begin to pay only after a long period of time. For these two reasons the ordinary banks could not accommodate agriculturists. The funds that are held by ordinary banks are held either as current deposits or as short term deposits and such money could not be advanced on long term loans. If it is done it will be against all principles of sound banking. Again, the modern commercial banks, as they are, cannot afford to lend money, say at 3 per cent or 4 per cent per annum. At the same time these are perhaps the maximum rates agriculturists could pay and these are the rates charged by Land Mortgage Banks in other countries. It follows, therefore, that institutions of a particular kind have to be started to meet the requirements of the agriculturists in respect of long term loans.

Now, the question is how the Land Mortgage Banks would meet these requirements. In the first place, the Land Mortgage Bank would be collecting funds which would be at its disposal for a very long time. An example might make the position clear to this House. Suppose an agriculturist wants a loan of Rs. 1,000 to effect certain permanent improvements on his estate. He goes to a Land Mortgage Bank, becomes a member of the Bank, puts in an application for the loan and gives a mortgage of his property as security. On the security of this mortgage the Bank issues to him what are called debentures for a total sum of Rs. 1,000, but made up into convenient sizes, of, say, Rs. 10 or 20 each. These debentures have the guarantee of the Bank behind them. They are, in the first instance, issued on the security of the particular mortgage in question. But in general, they have the whole security of the Land Mortgage Bank itself behind them. These debentures could be sold on the open market and the proceeds would go to the man who wanted the money, that is to say, the borrower would realise the money not directly from the Bank, but by getting debentures from the bank and selling them on the public market. Now evidently these debentures would bear interest on the amount invested in them. And the rate of interest that is to be paid to the debenture

LIBRARY ARCHIVES Kerala Legislative Assembly

holders would be the same as, or rather a little less than, the rate of interest that is charged for the mortgage. In other words, if the mortgagor has agreed to pay 4 per cent to the bank, the bank will pay 3¾ per cent on the debentures. Therefore, the important question is whether money could be had in the open market for 3½ or 4 per cent, on the security of these debentures. Unless money could be had at a low rate of interest, there is no use giving facilities for long term loans to agriculturists, who can never afford to pay a high rate of interest. In fact, many of our landlords and land-owners have been simply ruined by trying to borrow money at high rates of interest, with a view either to purchase more lands or to effect permanent improvements in the land. The returns from such investments are invariably lower than the rates of interest they have to pay. Hence, the success of any scheme of Land Mortgage Bank would consist in the possibility of getting money at low rates of interest in the open market. Now, the question is whether in Cochin, the investing public could afford to lend money at such low rates of interest. Well, if we go close into the matter we shall find that there is not so much difficulty in it as perhaps at first sight might appear. In our banks to-day—and I could speak with some experience of banks in Trichur, which I think is the same as the experience of people in many other places, a good deal of money is lying idle on current or short term deposits, at such low rates as even 3 or 4 per cent. All these monies might be invested in land mortgage debentures, provided these debentures are absolute security. So, the question partly resolves itself into a question of security, and also a question of facility. It is the experience of western countries that these debentures are absolutely safe investments and accordingly they are very popular, especially in Germany; and in fact no borrower has experienced any difficulty in selling these debentures on the open market. It is true that an individual cultivator might find difficulty in raising a loan in the open market. But the debentures, with the security of the bank as well as the security of the particular mortgages behind them, would find a ready sale. They would be absolutely safe security, first because they are issued only against first mortgages of land without any previous encumbrances; and secondly because they are generally issued only to the extent of one half of the value of the mortgaged property. I speak of the conditions prevailing in the western countries. Therefore, these debentures having such security behind them are absolutely safe investments. They also bear a fairly moderate rate of interest. And if at any time the debenture—holders would like to have their

LIBRARY ARCHIVES Kerala Legislative Assembly

capital back, they have only to go to the open market, where they would find a ready sale for these debentures. Thus, on the whole, these debentures offer very many facilities to the investing public, and are, therefore, very largely in demand. So, I expect that in the Cochin State also, if the same security were to be given to the debentures, they would form a decidedly popular line of investment, a convenient fund for the people to invest small amounts in. If the security of the Bank is not sufficient, there can be given to the debentures the additional security of a guarantee of the Government, as has been done in Bombay. In Madras, the scheme is facilitated by the Government itself purchasing debentures to the value of Rs. 50,000 in the case of each Land Mortgage Bank, of course with a certain maximum fixed. We also could adopt some such device. It is a matter of detail which can be discussed and decided later on. The point I want to emphasise at present is that if we also would take measures whereby absolute security for these debentures can be guaranteed, they would, here in Cochin too, prove a popular avenue for small investments. In this way, large sources of money can be tapped—money, which now lies either hoarded without being invested, or is invested in ordinary Banks. All this money could be realised and made available to the needy agriculturists.

To conclude Sir, as to the necessity of a Land Mortgage Bank I don't think there can be any difference of opinion. The agriculturists are the back-bone of the country and unless timely help is given to them they stand a good chance of being ruined. And this facility for long-term loans is one great line of help that could be rendered to the agriculturists. Therefore, the only question is how we could devise ways and means for the starting of a Land Mortgage Bank in Cochin. They have started such banks in Madras and in Bombay; and even in the sister State of Travancore very recently a Land Mortgage Bank has been started. We may take a lesson from them. Comparisons may not hold good in all cases. In this particular case however, I don't think why the comparison should fail. Conditions here and in Travancore in respect of agricultural incomes and other relevant matters, are the same. Therefore, I think in Cochin also an experiment may be tried in the matter of starting a Land Mortgage Bank. The Government might sympathetically consider this question and enter into the details. These details may be decided upon after due deliberation. The only point that I press upon the attention of the Government now is that it is high time that an attempt is made in this direction and something tangible done. With these few remarks, I commend the the resolution to the kind acceptance of this House.

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. E. Ikkanda Warriar.—I beg to second this resolution. The object of the resolution has been very clearly dealt with by the Hon'ble mover. The Government has more than once accepted the principle of the resolution. Their difficulty was how and where to start a bank and who should do it. My friend, the Hon'ble mover suggested two methods, the methods that are adopted in Madras and Bombay. I beg to differ from him in this matter. To me the Travancore model appears to be the best. I shall read extracts from the order of the Travancore Government promulgating a Land Mortgage Bank. They will explain the kind of bank started there, the reasons for the same and how it is proposed to be worked.

Mr. I. N. Menon.—Sir, on a point of information. Is the system of agricultural loans quite inadequate to meet the situation.

Mr. E. Ikkanda Warriar.—They are given only for short periods and that is the difficulty that we find with regard to the agricultural loans.

Mr. I. N. Menon.—And the interest?

Mr. E. Ikkanda Warriar.—The present rate of interest is low enough. It is only 3 per cent. But the agriculturists would like to have a loan for the improvement of agriculture and for payment of their old debts. Our regulation under which amounts are advanced as agricultural loans contemplates only loans for making agricultural improvements. The Government does not advance money for the payment of prior debts on the land. The object of the Land Mortgage Bank will be to help them in both ways. They want long term loans for payment of prior debts as well as for the improvement of their lands. I shall read a short portion of the order. I have also sidered the question whether the joint stock banks will be able to finance them. The argument of the Hon'ble mover that there will be a large number of persons who will be able to purchase debentures is met by the Travancore Darbar.

"The numerous Joint Stock banks in the State are all commercial banks doing business in short-term transactions and the Banking Enquiry Committee records that they do not play any considerable part in financing agriculture directly, as the loans are only for short periods and the rate of interest is high. They further on say.—"On account of the prevailing economic depression it is not possible at present to organise a Commercial Land Mortgage Bank on a Joint Stock basis, as it would require considerable capital to be subscribed for by the general public." That was the scheme approved by the Banking Enquiry Committee. "The Government however feel that the necessity for affording relief to agriculturists is too keen to be postponed further, and they have accordingly decided as an initial step to start a Land Mortgage Bank as a Government concern. The Government will be glad to hand over the whole concern to a suitable private agency, if and when it comes forward, on terms and conditions to be settled at the time. As the

LIBRARY ARCHIVES Kerala Legislative Assembly

Bank will be a Government concren for the present the rights and liabilities of the Bank rest on Government. The Board of Management will consist of five Government officers and two non-officials to be selected by the Government.

"His Highness the Maharaja has been graciously pleased at the public darbar held on the 20th Thulam 1107, 6th November 1931, to announce a donation of Rs. 1 lakh to serve as initial capital for the proposed Land Mortgage Bank. The Government too are prepared to advance from time to time towards the Bank's working capital, funds up to a total of Rs. 4 lakhs at a rate of interest to be fixed by them. They also propose to issue Debentures on their own responsibility and liability for the purpose of augmenting the funds of the Bank and they hold themselves responsible for the payment of iterest on the debentures on the due dates and for the repayment of the principal on the agreed date as specified in the Debentures. The total amount of Debentures to be issued at a time would not ordinarily exceed the difference between the total sum loaned by the Bank and remaining unpaid and the amount of the Debentures, if any, already issued and remaining unredeemed."

Deputy President.—We shall adjourn now. It is time.

The House rose for the day at 5 P. M.

C. J. MATHEW,

Secretary to the Council.

LIBRARY ARCHIVES Kerala Legislative Assembly